

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

April 3, 2012

MAG Offices, Saguaro Room
302 N. 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor Thomas L. Schoaf, Litchfield Park,
Chair
#Mayor Hugh Hallman, Tempe, Vice Chair
Steven Betts, GPEC
Dr. Joseph Cavinato, Thunderbird
Mark Dreher, East Valley Partnership
#Thomas Franz, Greater Phoenix Leadership
Jim Kenny, El Dorado Holdings, Inc.
*Mayor Jim Lane, Scottsdale
Mayor Michael LeVault, Youngtown
Mayor John Lewis, Gilbert
Mayor Marie Lopez-Rogers, Avondale
Mayor Jackie Meck, Buckeye
#Mary Peters, Mary Peters Consulting
Jim Rounds, Elliott D. Pollack & Company

Floyd Roehrich, Jr., ADOT
Todd Sanders, Greater Phoenix Chamber
of Commerce
Mayor Jay Schlum, Fountain Hills
#Mayor Elaine Scruggs, Glendale
Councilmember, Jack Sellers, Chandler
Jeffrey Simmons, Ryley Carlock &
Applewhite
Mayor Scott Smith, Mesa
Mayor Greg Stanton, Phoenix
#Sandra Watson, Arizona Commerce
Authority
Candace Wiest, WESTMARC
*Supervisor Mary Rose Wilcox, Maricopa
County
Mayor Sharon Wolcott, Surprise

* Not present

Participated by video or telephone conference call

OTHERS PRESENT (from sign-in sheet(s)):

Eric Anderson, MAG
Gonzalo Ariceta, Thunderbird
Farhana Baki, MAG
Len Becker, Town of Buckeye
Cheryl Covert, Town of Buckeye
Miranda Culver, Mesa
Brent Cain, HDR Engineering
Michael Celaya, Surprise
Ryan Cook, Parsons Brinckerhoff
Sampad Das, Thunderbird
Brett David, Thunderbird
Jonathan Donie, MAG

Jami Garrison, MAG
Jenna Goad, Glendale
Fikre Gurja, Thunderbird
Bob Hazlett, MAG
Darren Henderson, Parsons Brinckerhoff
Jose Luis Castro Ibarra, Port of Guaymas
Brad Lundahl, Scottsdale
Denise McClafferty, MAG
Edward Matloub, Thunderbird
Abhilash Mishra, Thunderbird
Tommy Ogden, Thunderbird
Greg Osborne, Thunderbird

Yutaka Oyama, Thunderbird
Linda Priano, MAG
Tom Remes, Phoenix
Michelle Rider, WESTMARC
Francisco Sanchez, Thunderbird
Amy St. Peter, MAG
Dennis Smith, MAG

Tim Strow, MAG
Kelly Taft, MAG
Jack Tomasik, CAAG
Rohan Verma, Thunderbird
Guillermo Von Borstel, Port of Guaymas
Matt Williamson, Thunderbird

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Schoaf at 11:37 a.m. Chair Schoaf noted that Mayor Hallman, Tom Franz, Mary Peters, and Mayor Scruggs were participating by telephone conference.

Chair Schoaf noted public comment cards were available for those members of the public who wish to comment. Transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available for the MAG parking facilities for those who parked in the garage.

2. Call to the Audience

Chair Schoaf stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. He stated that there is a three minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non action agenda items that are on the agenda for discussion or information only. Chair Schoaf noted that no public comment cards had been received.

3. Approval of the March 6, 2012 Economic Development Committee Meeting Minutes

Chair Schoaf asked if the members had any questions regarding the March 6, 2012 meeting minutes. There were none.

Mayor Lopez-Rogers moved to approve the March 6, 2012 Economic Development Committee meeting minutes. Mayor Smith seconded the motion and the motion carried unanimously.

5. Update on the Arizona-Canada Supply Chain Landscape Analysis

This item was taken out of order.

Dennis Smith stated MAG contracted with the Thunderbird School of Global Management Organizational Consulting Practicum program to conduct an Arizona-Canada supply chain landscape analysis. He then introduced the Thunderbird lead team member, Edward Matloub.

Mr. Matloub stated the team would present interim findings on the Arizona-Canada supply chain landscape analysis, along with case studies, and potential opportunities and recommendations with the final analysis results and final recommendations by April 30, 2012. He noted some of the key findings were the strong bi-coastal trade patterns, the competitive advantages Arizona has with the aerospace industry, clean energy competitiveness, and industry specific cluster development.

Mr. Matloub stated the bilateral trade in the aerospace industry is \$400 million and added industries, such as health care, bio-tech, and aerospace, are attracted to large research institutions. He noted that Arizona State University (ASU) could be a great resource for research in this region, especially in the aerospace sector.

Mr. Matloub reported Canada is our second largest export market and the fourth largest import market. He stated in 2011 the US-Canada bilateral trade was \$557 billion and currently, Canadian-owned companies employ 13,156 people in 736 locations in Arizona. Mr. Matloub presented a range of industries, such as utilities, mining, technology, automotive, and aerospace, in which our region could form relationships with Canada.

Mr. Matloub added, at the present time, Canada is the largest supplier of energy to the United States. He stated a Canadian utility company, EPCOR, invested \$470 million in Arizona. He noted solar sales in the Valley are also rising, investment is increasing, and this presented an opportunity for another Canadian company, Capital Power, to expand their solar presence in Arizona. He added in 2010 the Arizona solar industry was \$2 billion and it is rapidly growing. Arizona needs to aggressively continue promoting renewable energy.

Mr. Matloub stated that based on the team's findings, Arizona needs to establish working relationships with economic development organizations in major Canadian metropolitan areas, ensure that industry cluster in key Canadian cities are aligned to those in Arizona, and the infrastructure must support these clusters. He added the Thunderbird team will provide a final report by the end of April.

Chair Schoaf thanked the Thunderbird team for their presentation.

Chair Schoaf asked the Thunderbird team if they could be more specific in regards to the area of research. Mr. Matloub stated companies like to partner and build relationships with universities to complete their research. He gave examples of the healthcare and aerospace industries. He noted ASU is producing top talent and the region should consider utilizing those services.

Chair Schoaf asked if there were any other questions or comments.

Mayor Lewis commented representatives from the Canadian Consulate, Canada Arizona Business Council, and Allegiant Air discussed the possibility of having direct flights from Canada to Arizona. He noted a recommendation was made to Allegiant Air to continue flying to Montana, North Dakota, and consider flights close to Toronto because Canadians find it

much cheaper and easier to cross the border and then fly to Arizona, rather than flying directly out of Canada.

The team reported statistics show fifty-five percent of all tourists coming to our region, are coming from Canada. He noted this leads to investments in housing and relocating businesses to Arizona.

Steve Betts asked if the team has conducted any research in commerce activity in regards to rail or trucking connections between Western Canada and Arizona.

The team reported that the CANAMEX corridor directly connects Phoenix to Calgary and Edmonton, and with Calgary being the sister city of Phoenix, there are some synergies in regards to clean energy.

Candace Wiest commented West Valley National Bank is considering an expansion and recently hired Thunderbird consultants and was impressed with their level of talent and service and highly recommends them.

Chair Schoaf thanked the team for their presentation and noted the committee appreciated their talent and services

4. Update on the Arizona-Mexico Supply Chain Landscape Analysis

Gonzalo Ariceta, Thunderbird team leader, introduced the team members that were contracted by MAG to provide a supply chain landscape analysis for Mexico. Mr. Ariceta stated the Arizona -Mexico supply chain analysis goal was to identify Mexican owned companies in the MAG region, companies in the MAG region engaging in trade with Mexico, companies in Mexico engaging in trade with the MAG region, and the current trading being done by these industries. This analysis will also identify economic development opportunities based on these industries and trading trends.

Mr. Ariceta presented interim findings on the supply chain landscape analysis for Mexico, as well as some case studies, potential opportunities and recommendations. He noted the findings for facilitating opportunities include partnerships between cities and states, reinvesting in borders and ports and incentives to attract businesses.

Mr. Ariceta stated to facilitate this growth we need to develop relationships with the aerospace, automotive and metal stamping industries, and suggested an interactive supplier databases and cross-border partnerships. The team presented an overview of the Mexico-Arizona relationship and also stated the main exports are machinery and transport equipment, mineral fuels and lubricants, and food and live animals.

Mr. Ariceta reported the percentage of Arizona exports to Mexico in 2010 was over \$5 billion and the percentage of imports to Arizona from Mexico totaled \$5.63 billion in 2010. He also

stated Mexican visitors to Arizona spent \$2.65 billion in Arizona from July 2007 to June 2008, making tourism very relevant to Arizona.

Mr. Ariceta and his team presented on the importance of doing trade with Sonora, Mexico. Mr. Ariceta noted Sonora's main industries include electronic medical biotechnology, mining, agribusiness, and renewable energy. He added Sonora has the largest automotive project in northwestern Mexico and the largest aerospace machining cluster in the country.

Mr. Ogden reported that the Ford plant in Hermosillo increased their capacity from 313,000 to 500,000 cars per year with a \$1.5 billion investment. In addition, metal stamping companies Horst Engineering and Incertec increased their businesses by 20 percent. The team also presented their findings in the aerospace and raw material industries and how our state could benefit within these industries.

Mr. Ariceta stated the most compelling information was the imports from Mexico into the United States, and how Arizona's growth in this area is almost non-existent compared to California and Texas. He reported that Texas is centrally located with twenty-three tolled ports of entries, eleven being commercial. He added the ports are supported by private and public funds, and these funds are used to reinforce infrastructures of bridges and surrounding port areas. He also noted there are cross-border partnerships between Texas and Mexico City.

The Thunderbird team stated California also reinvests toll funds back to infrastructure. Baja, California is seeking to increase its competitiveness through Southern California suppliers, while the San Diego Border Trade office assists to facilitate new export relationships. Mr. Ariceta added the Otay Mesa East Port of Entry is estimated to be completed in 2015, bringing another port option to California.

Mr. Ogden stated findings for growth opportunities include reducing barriers during the border crossing process, reinvesting in the ports and the surrounding cities, developing positive business relationships with Sonora, supporting industrial parks to cultivate tier 2-3 suppliers, create a forum for Arizona-Mexico cooperation among economic development institutions and partnerships with universities. Mr. Ariceta informed the committee the final report will be completed by April 30, 2012.

Chair Schoaf asked if there were any questions or comments.

Mayor Hallman thanked the team specifically for the direction on why other states have certain competitive advantages and identifying the ways California and Texas are doing business.

Mayor Schlum asked for more detail about other revenue sources, such as toll roads. Brett Davis noted currently, Texas reinvests approximately five percent of the revenue back into their ports and this reinvestment goes into infrastructure and roads.

Mayor Schlum asked if there were specific examples of infrastructure improvements to strengthen our ability to trade with Mexico. Mr. Ariceta noted the team has been meeting with

ADOT, ACA, and other stakeholders and the findings will be included in their final recommendation.

Councilman Sellers asked if they had met with the Arizona Mexican Commission to learn what their challenges are. Mr. Ariceta noted they have met with the Arizona Mexican Commission and the economic development staff in Nogales to learn the strengths and challenges they are experiencing. He noted that these findings will also be in the final report.

Mark Dreher asked if rail was considered as part of the analysis. Mr. Ariceta stated that the rail goes directly from Guaymas, through Hermosillo and Nogales. He added that currently, the infrastructure is not as developed as the rail is in Texas, but believes this is an excellent opportunity.

Dennis Smith asked why metal stamping is such an opportunity for manufacturing here in Arizona. Greg Osborne stated metal stamping is metal shaping of parts for the aerospace, automotive and the biomedical industry. He reported that after speaking with businesses in Mexico, this is one demand that is not being met and they cannot find enough metal stampers to supply these industries.

Chair Schoaf thanked the team for their presentation and noted the committee appreciated their talent and services.

6. Report on the Port of Guaymas

Mayor Smith stated Guaymas is a Sister City of Mesa. He noted that he had the opportunity to visit and tour the port, and was extremely impressed with the development at this port. Mayor Smith then introduced Jose Luis Castro Ibarra, Guaymas Port Director, to provide an update on the activities at the port.

Mr. Ibarra provided an update on the current and proposed future development activities at the port. He stated the port deals with bulk grain, mineral, general cargo, fuels and fluids, and cruise ships.

He noted the Port of Guaymas Master Plan includes several new terminals, a general cargo area, and multimodal and multi-uses areas. He added the latest improvements include new port capacity to -47.5m in depth, new infrastructure for handling and storing cargo, new lighting, acquisition of new technology, and an updated maneuverability study. Mr. Ibarra stated there are also new terminals under construction, which include a bulk mineral terminal and a fluids terminal.

Mr. Ibarra then presented the worldwide routes available to and from the Port of Guaymas. He also presented detailed specifications of the master plan, a logistic trade zone and internal rail possibilities. He informed the committee that the Port of Guaymas handles cargo for Arizona businesses and they continue to look forward to promoting this relationship. He stated

as the Port of Guaymas develops, so does the future economic development opportunities for the State of Arizona.

Chair Schoaf thanked him for his presentation and asked if there were any questions or comments.

Mayor Smith commented that Arizona needs to stay aware of how much development and business is happening at the Port of Guaymas.

7. Request for Future Agenda Items

Mayor Stanton announced that the City of Phoenix passed a Buy Local First ordinance and local was defined as the Maricopa region. He noted as a result, locally based businesses in every city and town in this region will be the beneficiary of the City of Phoenix's decision to pass this ordinance. He added this ordinance gives first preference to locally owned businesses in this region for small contracts that are \$50,000 or less.

Chair Schoaf suggested a representative from the City of Phoenix be invited to a future EDC meeting to discuss this ordinance.

8. Comments from the Committee

Chair Schoaf stated the next meeting is scheduled for Tuesday, May 1, 2012.

Adjournment

Mayor Lewis moved to adjourn the meeting. Mayor LeVault seconded the motion and the motion carried unanimously. There being no further business, the Economic Development Committee meeting was adjourned at 12:58 p.m.

Chair

Secretary